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## **INTRODUCTION**

The Ingham County Board of Commissioners (ICBC) entered into contract #BA-05-33001 with the Michigan Department of Human Services (DHS) to provide a Before and After School Program (BA) for children in grades K-9. All programs funded under this contract were to impart specified skills to children in spaces that were age appropriate for each child, and were to promote intellectual, social, emotional, physical, or recreational skills of children. The contract totaled \$230,000 of which \$80,000 was specified for services performed during the period August 1, 2005 to September 30, 2005 and the remaining \$150,000 could be expended for the period October 1, 2005 through September 30, 2006. At the time of the audit ICBC had been reimbursed for their actual costs of providing the program for the period from August 1, 2005 to September 30, 2005 through submission of monthly billings to DHS.

## **SCOPE**

The Office of Internal Audit performed an audit of ICBC to determine if their billings were accurate, and if the costs they charged were allowable and properly supported by the accounting records and other documentation in accordance with the terms of the contract. Our review covered the period August 1, 2005 through September 30, 2005. We also tested to determine if ICBC obtained documentation that children who participated in the program were TANF eligible.

## **EXECUTIVE SUMMARY**

Based on our audit, we concluded that ICBC overbilled DHS \$26,420. The salaries, transportation and contracted services line items were overbilled by \$4,407. In addition, ICBC overbilled DHS \$22,013 because they served children who were not documented as being TANF eligible. Our report recommends that the Field Operations Administration initiate the process to recoup \$26,420 from ICBC.

## **INGHAM COUNTY BOARD OF COMMISSIONERS RESPONSE**

The management of ICBC has reviewed all findings and recommendations included in this report. They indicated in a letter dated January 16, 2006 that they concur with most of the findings in the report. However they disagree with findings #2 and #5. Their reasons for disagreement follow those findings.

## **FINDINGS AND RECOMMENDATIONS**

### **Salaries**

1. ICBC overbilled DHS \$93 for salaries because they used the wrong hourly rates in their calculations. Also they included fringe benefits in their costs, however there is no provision in the contract budget for fringe benefits.

### **Transportation**

2. ICBC overbilled DHS \$6,480 for a taxi service to provide transportation from Abrams Planetarium to a program site and return to Abrams Planetarium for 108 days because there was no provision in the contract budget detail for this expense. However, \$2,350 of the amount billed was disallowed at the time the billing was submitted because total Transportation expenses billed exceeded the line item budget (which included a \$1,500 line item transfer) by that amount. Therefore the amount overpaid to ICBC for this expense was \$4,130 (\$6,480 - \$2,350).

### **ICBC Response**

The ICBC stated that they incurred this expense because they determined it was necessary to provide transportation for volunteer tutors from the university campus to the program sites in order to fulfill the academic components of the program. They believed that the "Line Item Transfer Instructions" section of their program budget

worksheet permitted them to make line item transfers of up to \$3,000, without obtaining DHS approval.

### Contracted Services

3. ICBC overbilled DHS \$184 in regard to the following subcontractors:

- Lansing Parks and Recreation – An overbilling of \$75 resulted from a miscalculation when determining wages and fringe benefits.
- North Network Center – An overbilling of \$24 resulted from billing DHS \$999 for a computer when the actual cost was \$975.
- Allen Neighborhood Center – An overbilling of \$85 resulted from billing DHS \$671 for a camcorder, when the actual cost was \$586.

During our review of Contracted Services we also noted an instance where DHS was billed \$1,460 for a computer ICBC ordered in September 2005 for Allen Neighborhood Center. The Center subsequently received the computer, but due to an oversight, ICBC did not pay the vendor. ICBC paid the vendor while our audit was in progress.

WE RECOMMEND that the Field Operations Administration ensure that ICBC accurately determines the expenses to be included on the Statement of Expenditures.

WE ALSO RECOMMEND the Field Operations Administration initiate the process to recoup the \$4,407 (\$93 + \$4,130 + \$184) in overbillings from ICBC.

### Approval of Subcontracts

4. ICBC did not obtain DHS approval for its subcontracts. The contract states on page 14, “The Contractor shall not assign this Agreement or enter into subcontracts to this

Agreement with additional parties without obtaining prior written approval of the DHS.”

WE RECOMMEND Field Operations Administration monitor to ensure that all ICBC subcontracts are approved by the DHS Office of Contracts and Rate Setting.

#### TANF Eligibility

5. ICBC served both children who were eligible for Temporary Assistance to Needy Families (TANF) and those who were not eligible. The contract with DHS required that all children funded by the contract be TANF eligible. ICBC did not document eligibility with the “Request for Services Funded by the Federal TANF Block Grant Program” form, but relied on the determination of eligibility for free or reduced price lunches included in the Lansing School District’s School Information Management System. ICBC obtained attendance records for the summer program and reviewed them for TANF eligibility for the children in attendance. The programs offered were an evening basketball program and a summer daytime program.

For the evening basketball program 82 of 204 (40%) days of student attendance were not documented as TANF eligible. Total audited expenditures for this program were \$4,400. Therefore \$1,760 (40% of \$4,400) could not be funded by TANF.

For the summer daytime program 347 of 1118 (31%) days of student attendance were not documented as TANF eligible. Total audited expenditures for this program were \$68,835. Therefore \$21,339 (31% of 68,835) could not be funded by TANF.

The total of the audited expenditures for the basketball program and the summer daytime program that cannot be funded by TANF amounted to \$23,099 (\$1,760 +

\$21,339). However, ICBC and its subcontractor provided \$3,575 of in-kind match for this contract. That combined with \$73,235 in audited expenditures resulted in total costs of \$76,810. Since the In-Kind Match made up 4.7% of the total program expenditures (\$3,575 divided by \$76,810), 4.7% of the \$23,099 in expenses (\$1,086) for children not documented as TANF eligible can be used to offset \$1,086 in disallowed expense. Therefore, ICBC overbilled DHS by \$22,013 (\$23,099 - \$1,086).

WE RECOMMEND the Field Operations Administration initiate the process to recoup the \$22,013 applicable to students who were not documented as being TANF eligible from ICBC.

WE ALSO RECOMMEND the Field Operations Administration work with ICBC to ensure that they document the client's eligibility for TANF funded services by completion of the "Request for Services Funded By the Federal TANF Block Grant" form, and that they maintain daily attendance records at the program sites.

### **ICBC Response**

The ICBC stated in their response that of the \$80,000 budgeted for the summer program, \$36,932 was expended to operate the program and 893 TANF eligible units were provided. The estimated number of units of service detailed in the contract was 1200. They further state that they developed and delivered a quality program with just a few weeks' notice from DHS. As a result they did not reach the estimated number of units, but they felt that \$41.35/unit (\$36,932 divided by 893) is still a cost-effective rate.

Also, ICBC stated that the remaining \$43,030 of the contract was spent to “equip and prepare the programming sites for the academic school year program” as directed by the DHS program staff. As of December 31, 2005, 91% of the youth in the school year program are TANF eligible using the Lansing School District’s Free and Reduced database.